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March 27, 2006

John F. Carter, Regional Director
FDIC Regional Office, San Francisco
25 Jessie Street at Ecker Square, Suite 2300
San Francisco, CA 94105

Dear Mr. Carter:

I write in opposition to Wal-Mart's (WMT) application for FDIC insurance for an industrial bank located in Utah (Bank). I ask that my letter become part of the April hearings record, as well as be posted with the comment letters. Although most of the opposition to this application appears to focus on concerns about anti-competitive and predatory loan practices, it appears to me that this gambit is an attempt to substitute the savings of 501(c)(3) organizations and the general public for the capital markets. In this event, an FDIC guarantee would enable WMT to:

- borrow unlimited amounts of capital without regard to either its financial health or the worthiness of the expenditure;
- at a significantly reduced rate;
- with the U. S. taxpayers' guarantee on its paper through the FDIC.

This is an outrageous misuse of our banking system and the intent of FDIC insurance. Further, it could set a precedent encouraging other large, global corporations to seek the same access to government-guaranteed capital.

In the application's Overview section, WMT states that the Bank will perform back-office payments processing functions and "offer short-term certificates of deposit to two classes of depositors: (a) non-profit, charitable and educational organizations designated as 501(c)(3) entities by the Internal Revenue Service; and (b) individual investors generated through deposit brokers." Section 4(a) reiterates the importance of the back office functions, and 4(b)(5) explicitly states "The Bank will not engage in lending operations." In this section WMT also claims "the Bank is exempt from CRA regulations, and a CRA Plan is not included with this Application." Section 7(e) reasserts that "The Bank will not engage in lending." The letter from attorney Jerold G. Oldroyd dated July 21, 2005 restates the intended functions of the Bank, and that "Wal-Mart Bank's proposed activities are limited and do not include granting credit to the general public." Oldroyd then reasserts the Bank's exemption from CRA.

WMT's claim that it intends to accept deposits and pay interest on the funds, but not loan them out to others at a higher rate begs two questions:

- What will WMT do with the money (stash it in the mattress department?)?
- How would the deposit-taking function be profitable and in accordance with the Bank's responsibilities as a fiduciary?

A quick review of WMT's financial situation (source: *ValueLine*, February 10, 2006, p. 1694) provides some answers. Over the past 10 years, WMT has experienced astonishing sales and earnings growth of 15% per year. WMT has generated almost all of this growth internally through new retail sales rather than through acquisition like, for example, Macy's.

Wal-Mart Financial Information, 1995-2005

	1995	2000	2005	Change
Sales ($B)	93.6	191.3	313.5	219.9
Net Profit ($B)	2.7	6.3	10.3	7.5
Number of Stores	2943	4189	5650	2707
Net Working Capital ($B)	5.9	(2.4)	(5.9)	(11.8)
Long-Term Debt ($B)	10.6	15.7	27.3	16.7
Shareholder Equity	14.8	31.3	54.0	39.2

Over the past 10 years, providing the stores, warehouses, infrastructure, inventory, management, staffing, trucks, etc. to fuel this growth has consumed about $67.7B in capital—$11.8B from working capital, $16.7B in long-term debt, and $39.2B in shareholder equity. This is a voracious appetite, and WMT's future growth plans are no less ambitious.

A lightly regulated industrial bank insured by the FDIC provides a creative, innovative, and brilliant new vehicle to generate the capital WMT will need to feed its plans for future growth. Through this Bank, WMT can access capital at CD instead of capital markets rates, plus a few basis points premium. WMT gets a plentiful source of cheap capital. Depositors get a higher rate of return. And the FDIC picks up the default risk. Sweet deal!

FDIC insurance serves to protect depositors against bank failure; not to guarantee corporate debt. WMT's use of the Bank and its FDIC insurance in this way would be a perversion of that intent, and put the FDIC and U. S. taxpayers at risk for default that was never contemplated. Further, if WMT were successful in establishing this Bank, other corporations would likely wish to follow suit.

WMT's application must be denied. Thank you.

Sincerely,

E. Letzler

Dr. Elizabeth A. Letzler